

**SCHEDULE OF FINAL BUDGET AND SUPPORTING
DOCUMENTATION OF
DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY**

**2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

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PART ONE – ANNUAL BUDGET

1. MAYORS REPORT

Introduction

Speaker

Deputy Mayor

Members of Executive

Chief Whip

Honourable Councillors

ONdabezitha

Municipal Management and municipal officials, Greetings.

It is my pleasure, in my capacity as Mayor of Dr Nkosazana Dlamini Zuma Municipality, to present Final medium term revenue and expenditure framework (MTREF) for 2017/2018 financial year and ensuing two years. The municipality is preparing its first annual budget as Dr Nkosazana Dlamini-Zuma Municipality after the merger of the two municipalities, Kwa Sani and Ingwe Municipalities. In terms of section 21(2) (a)-(c) of the MFMA – ‘when preparing the annual budget, the mayor of a municipality must:

(a) Take into account the municipality’s integrated development plan (IDP);

(b) take all reasonable steps to ensure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

(c) take into account the national budget, the relevant provincial budget, the national government’s fiscal and macro-economic policy, the annual Division of Revenue Act (DoRA) and any agreements reached in the Budget Forum’.

Thus taking into account the provision of the MFMA as stated above, I present to you all the Final MTREF for 2017/2018 to 2019/2020. The intention is to bring forth the highlights contained in the budget. It is our intention as the Dr Nkosazana Dlamini Zuma Local Municipality that the Final budget in each financial year be tabled to council before the end of March of each year

and should be a product of rigorous review and extensive consultation such that the limited resources available are allocated towards satisfying the community's priorities and that the budget preparation process itself complies with relevant legislation.

Thus taking into account the legislation that regulates the entire budget preparation and approval processes, Council must, by the end of these proceedings approve and adopt resolutions, in terms of section 24 of the MFMA, on the annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations and also the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as detailed in the municipality's MTREF document. The Council of Dr Nkosazana Dlamini Zuma Municipality, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2017, the tariffs for property rates, the tariffs for solid waste services and the tariffs for other services.

1.1 Background

The application of sound financial management principles for the compilation of Dr Nkosazana Dlamini Zuma Municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

Dr Nkosazana Dlamini-Zuma Municipality is in a process of implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality will undertake various customer care initiatives to ensure that the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality has a Revenue Enhancement Strategy that needs to be approved by the council.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;

- The unemployment in the community that we are serving, having a negative impact on the collection over revenue, and increasing number of indigents.
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery; and
- Availability of affordable funding

1.2 Local Economic Transformation

The Minister of Finance in his 2017/18 Budget Speech talked about how South African should come up with ways of new perspective transformation of growth, In light of the above statement, the Dr Nkosazana Dlamini-Zuma Municipality should also come up with principles that should guide the municipalities agenda for transformation, the municipality should focus more on programmes that will create jobs, eliminate poverty and narrow the inequality gap.

1.3 Budget legislations and processes

This Budget has been prepared in terms of section 21 of the MFMA No. 56 of 2003. The municipality has taken the following macro-economic forecasts into consideration when preparing the 2017/2018 budget and MTREF as stipulated MFMA circular No. 86.

Fiscal year	2016/17	2017/18	2018/19	2019/20
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%	5.6%
Real GBD Growth	0.5%	1.3%	2.0%	2.2%

1.4 Government allocations

Allocations published in the 2017 Division of Revenue Act and provincial gazette indicates the following:

Sources	2016/2017 Adjustment Allocations	2017/2018 Allocations
Equitable Share	R 94 288 126 .00	R 101 241 000.00
Electrification	R 12 000 000.00	R 14 000 000.00
MIG	R 29 513 000.00	R 27 566 000.00
FMG	R 3 650 000.00	R 3 800 000.00
Municipal Demarcation Grant	R 9 714 000.00	R 4 566 000.00
EPWP	R 2 191 000.00	R 1 877 000.00
Provincialisation of Libraries	R 1 431 000.00	R 1 503 000.00
Community Library Service Grant	R 863 000.00	R 906 000.00
Promulgation of Municipal by-law	R 200 000.00	
IDP Shared Planner	R 400 000.00	
Consolidation and migration of records system	R 200 000.00	
Work study exercise	R 700 000.00	
TOTAL	R155 150 126.00	R 155 459 000.00

1.5 Consolidated Overview of the 2017/18 MTERF

The final budget presentation reflects the following consolidated (summary) estimates:

	Adjustment Budget 2016- 2017	Final Budget 2017-2018	Budget Estimate 2017- 2018	Budget Estimate 2019- 2020
Total Revenue	R 231 094 654	R 230 879 444	R 235 402 330	R 256 633 557
Total Operating Expenditure	-R 137 857 968	-R 151 132 042	-R 159 602 116	-R 168 744 354
Capital Expenditure	-R 93 236 686	-R 79 737 905	-R 38 965 000	-R 50 441 000
Surplus/(Deficit) for the year	R 3 709.62	R 9 496	R 10 027	R 10 600

I would like to bring forth some of the highlights contained within the budget:

1.6 Overview:

Total revenue has decreased by 9% per cent for the 2017/18 financial year when compared to the 2016/17 Adjusted Budget. For the two outer years, total revenue will increase by 2% respectively. Total operational expenditure has increased by 7% in 2017/18 budget and by 5% and 5% for each of the respective outer years of the MTREF. Total capital expenditure has decrease by 32 % in 2017/18 when compared to the 2016/17 Adjustment budget.

1.7 Operating Revenue framework

For Dr Nkosazana Dlamini Zuma Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Grants remain the largest revenue source and property rates is the second and third largest source interest on investment and the fourth one is other revenue. Municipality have been urged to review the tariff s of the items on annual basis to ensure they are cost reflective market related.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost

drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. The Municipality will have to implement a refuse removal strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

1.8 Expenditure

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of 'no project plan, no budget'. If there is no business plan no funding allocation can be made.

1.9 Capital Expenditure

Dr Nkosazana Dlamini Zuma Municipality has budgeted an amount of R 62 812 300.00 in 2017/18 to fund its capital expenditure in 2017/2018 financial year in order for the municipality to deliver adequate services to its community.

1. National Treasury has allocated an amount R 27 566 000.00 to Dr Nkosazana Dlamini Zuma Municipality for Municipal Infrastructure Grant (MIG), and the Municipality will use the above grant to successfully Construct the following projects to its community.

● Ward	2017/2018
1	Ridge Access Road
2	KwaPitela Creche
3	Upgrading of Underberg Phase 1

4	Sdangeni Access Road
5	Dwaleni Access Road
6	Hlathikhulu Access Road
7	Gala Community Hall
8	Nyazi Access Road
9	Sidandane Access Road
10	Zekeleni Access Road
11	Mafohla Access Road
12	Manyathela Access Road
13	Chapter Access Road
14	Nomandlonvu Access Road
15	Sawoti Sports field

Ward	Project Name 18/19
1	Mgqutshana road
2	Mahwaqa road
3	Underberg Taxi Rank upgrade
4	Skhesheni access road to Skofil (Mashayilanga)
5	Khambule access road to Skofile
6	Inos access road
7	Mqundekweni sports field
8	Sonyongwane to Mashayunina access road
9	KwaMadlala to Ngudwini primary access road
10	Macala gwala access road
11	Nkelabantwana access road
12	From D1213 to plazini access road
13	Donnybrook community hall
14	Florence and Dladla access road

15	Khuphuka access road
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Ward	Project Name 19/20
1	Mqatsheni sport field
2	Himeville Business hives
3	Underberg Community Hall (Town Hall)
4	Goqweni access road
5	Mampondweni access road to Nomagaga
6	Sicedeni community hall
7	Gqumeni crèche
8	Bazini access road phase 2
9	Mondli Sosibo to Maqoyi access road
10	Dazela access road
11	Gaye access road
12	Lubovana creche
13	Diphini access road
14	Creighton Taxi rank
15	Sikhesheni bridge

Integrated National Electrification Programme (INEP) funded projects is R14 000 000.00(mil)

- Glanmaize Ward 14
- Mafohla Ward 11
- Skhesheni Ward 15
- Vitha's Ward 02
- Mhlangeni Ward 01
- Gxalingenwa Ward 02
- Mbulelweni Ward 09
- Gwejane Ward 07
- Mqatsheni Ward 01

- Pitela Ward 02
- Ukhahlamba Ward 03
- Zuma's Ward 02
- Goxhill Ward 02
- Khalweni Ward 02
- KwaGwayisa Ward 03

**Plant & Equipment to assist with Maintenance of infrastructure is
R 7 350 000.00 (mil)**

- 3 Tractors
- 2 Tipper trucks
- Water tank
- Roller
- Load bed truck

Internally Funded projects is R 14 776 300.00 (mil)

- Centocow Shelter & Toilets
- Fencing of waste transfer station
- Himeville Workshop
- Jabulani Hall – Phase 1
- Parkhomes
- Municipal building electricity
- Bus Shelters
- Road Creighton Asphalt
- Road Bulwer Asphalt
- Security System
- Vehicles
- Furniture & Office Equipment
- Computers and Software
- Parkhomes
- Cemetery office building and ablution

- Guard Houses
- Carports
- Tools

Repairs and maintenance budget is R 11 603 955.00 (mil)

- Buildings & halls
- Roads and drains
- Plant & equipment
- Railway line maintenance
- Road signs
- Public toilets
- Fencing
- Municipal building electricity
- Vehicles

Community Programmes

Total Budget for programs is R 8 570 000.00 to equip and develop our community.

• Arts and Culture R 1 250 000. 00.

- ✓ Training of Crafters
- ✓ Training of artist and Adjudicators
- ✓ Crafters development
- ✓ Local and ward arts and Culture competition
- ✓ Umkhosi wezintombi zase Harry Gwala
- ✓ Umkhosi womhlanga
- ✓ Umkhosi welembe
- ✓ Support for Promoted Artist to Playhouse

- ✓ District Cultural Competition
- ✓ Promotion of mother tang language
- ✓ Arts and culture forum induction
- ✓ Funding Artists Equipment
- ✓ Royal Show

• **HIV, Senior Citizens, Disability, Human Rights R 700 000.00**

- ✓ World Aids Day
- ✓ Disability day
- ✓ Disability Summit
- ✓ Local Aid Council
- ✓ Monthly HIV Campaign
- ✓ Disability Sector Plan Development
- ✓ Golden Games
- ✓ Senior Citizen Event
- ✓ TB Day
- ✓ HIV Strategic Workshop
- ✓ Local Aid Council
- ✓ Mayoral Cup

• **Sports Development R 900 000.00**

- ✓ Training of Coaches
- ✓ Sports Development Plan
- ✓ Training of administrators
- ✓ Development of teams from selected Players
- ✓ Training of Program designers and analysts
- ✓ Training of Jockeys
- ✓ Sunny stager marathon
- ✓ Salga Games
- ✓ Harry Gwala Summer Cup
- ✓ Schools Salga Athletics
- ✓ Dundee Day

- ✓ Harry Gwala Marathon
- ✓ Bongmusa Foundation Marathon
- ✓ Festive Sport programmes
- ✓ Oss Sport Support
- ✓ Monitoring & Evaluation of players Sports Academies
- ✓ Sports Arts and Culture Awards

- **Gender Men, women and children R 700 000.00.**

- ✓ Child protection week
- ✓ Men event
- ✓ Women Sector events
- ✓ Establishment Children's Forum
- ✓ Back to School - Primary SCHL
- ✓ 16 Days of activism event
- ✓ Road Safety Awareness
- ✓ OVC PSWVW
- ✓ Children Focus Campaign
- ✓ Human Rights Day
- ✓ Woman's Forum
- ✓ Men's Forum
- ✓ Gender Forum
- ✓ Training of Gender Forum
- ✓ Promotion of Reed Dance, rights and Health
- ✓ Environmental Day

- **Operation Sukuma Sakhe R 320 000.00**

- ✓ Public Service week (Operation Mbo)
- ✓ Nelson Mandela Day
- ✓ Operation Sukuma Sakhe
- ✓ Back to school campaign
- ✓ Matric Awards
- ✓ Career Exhibition week

- ✓ Schools environmental Excellence Awards.

- **Youth Development programmes R 1 135 000.00**

- ✓ SMME Support
- ✓ Careers Expo
- ✓ Take a child to work
- ✓ Bursary Summit
- ✓ Youth games
- ✓ Education summit
- ✓ Awareness campaign x 2 responding to issues such as pregnancy, (ukuthwalwa) of children in ages of 15 years
- ✓ Young women Indaba event
- ✓ Review youth plan
- ✓ youth Day Celebration
- ✓ Heritage Activities
- ✓ Meeting with bursary beneficiaries

- **Poverty Alleviation Programmes R350 000.00**

- **Local Economic Development R 2 025 000.00**

- | | |
|---|-----------|
| ✓ Assisted Emerging Farmers with material support | All Wards |
| ✓ KwaPitela Irrigation Scheme | Ward 2 |
| ✓ Training and Skills empowerment | All wards |
| ✓ Training and Skills empowerment | All Wards |
| ✓ Fashion Designer Talent search | All Wards |
| ✓ Co-Op & SMME Non-Agricultural Material Support | All Wards |
| ✓ Training and Skills empowerment | All Wards |
| ✓ Step more Business Hub Electrifying Building | Ward 1 |
| ✓ Electrifying Underberg Taxi Rank | Ward 3 |

- **Tourism Programmes R 890 000.00**

- ✓ Local literature & visual art exhibition
- ✓ Tourism awareness programs
- ✓ Community Tourism & Hospitality skills development
- ✓ External tourism shows and exhibitions
- ✓ Culture food tasting expo and Duzi to Sani
- ✓ Community Tourism Development Committee
- ✓ Rail Tourism
- ✓ Destination marketing / Promotional Material
- ✓ Emerging Contractors Workshop
- ✓ Woman empowerment programmes
- ✓ Workshop for street traders
- ✓ Local Tourism forum meetings held

- **Libraries programmes R 160 000.00**

- ✓ Promotional Material
- ✓ Library Outreach
- ✓ Computer Lessons

- | | | |
|--|----------------------|------------------|
| • Free Basic Electricity (assist indigents) | R1 200 000.00 | All Wards |
| • Education Support and Bursaries | R1 000 000.00 | All Wards |
| • Spluma Implementation | R190 000.00 | |
| • Spatial Development Framework | R250 000.00 | |
| • Wall to wall Scheme | R245 000.00 | |
| • Township Establishment | R1 000 000.00 | |

1.10 General Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditures has also been identified as an area in which cost savings and efficiencies can be achieved.

1.11 Policies and by-laws

There were no major changes on finance and budget related policies and by-laws. There were also no major changes on other policies. By-laws would have reviewed as the service provider was appointed to assist with the review of by-laws for Dr Nkosazana Dlamini Zuma Municipality.

Ladies and gentlemen, may I take this opportunity to thank you for your attentiveness and your contribution in the on-going development of Dr Nkosazana Dlamini Zuma Municipality.

Thank you

Councillor P.N Mncwabe

Mayor of Dr Nkosazana Dlamini Zuma Municipality

2. RESOLUTION

2.1 Dr Nkosazana Dlamini Zuma Municipality has tabled its final budget with budget related policies and the council resolution is attached.

3. EXECUTIVE SUMMARY**3.1 Introduction**

This 2017/18 – 2019/20 Tabled Medium -Term Revenue and Expenditure Framework (MTREF) budget report deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposal to ensure that Dr Nkosazana Dlamini Zuma Municipality renders services to their local communities in a financial and sustainable manner.

3.2 Financial Sustainability

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programmes, both operating and capital to ensure programmes sustainability and desire quality of service to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable rates and service charges to fund programmes.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitable to all communities.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 final budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality.
- Actuals for the period ended in February 2017 and
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

	Adjustment Budget 2016-	Final Budget 2017-2018	Budget Estimate 2017-	Budget Estimate 2019-
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	2017		2018	2020
Total Revenue	R 231 094 654	R 230 879 444	R 235 402 330	R 256 633 557
Total Operating Expenditure	-R 137 857 968	-R 151 132 042	-R 159 602 116	-R 168 744 354
Capital Expenditure	-R 93 236 686	-R 79 737 905	-R 38 965 000	-R 50 441 000
Surplus/(Deficit) for the year	R 3 709.62	R 9 496	R 10 027	R 10 600

Total revenue has decreased by 1% per cent for the 2017/18 financial year when compared to the 2016/17 Adjusted Budget. For the two outer years, total revenue will increase by 2% respectively. Total operational expenditure has increased by 8% in 2017/18 budget and by 5% and 5% for each of the respective outer years of the MTREF. Total capital expenditure has decrease by 14 % in 2017/18 when compared to the 2016/17 Adjustment budget.

3.3 Repairs and maintenance

The municipality has 8% percentage on repairs and maintenance that is recommended as per MFMA Circular No. 55 and the municipality also has a strategy to maintain its assets internal rather than using the contractors. The budget amount is adequate to secure the ongoing health of the municipality's infrastructure.

3.4 Property Rates

The rates revenue collection is currently expressed as a percentage (65%) of annual billings based on the previous year's actual collections. The performance of arrear collection will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Property rates cover the cost of the provision of general service. Determining the effective of property rates tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. inter alia with the implementation of the Municipal Property Rates Act, with regulate on issued by the department of Co-operative Governance. These came into effect on 1 July 2009 and prescribed the rate ratio for the non-residential

categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1

The following stipulations in the property rates are highlighted:

- The first R 15 000.00 of the market value of property used for residential purposes is excluded from the ratable values (Section 17 (h) of the MPRA).
- 30% rebate will be granted for developed properties
- 35% rebate will be granted to agriculture
- 100% rebate will be granted to registered indigents in terms of the indigent policy.
- For pensioners, physically and mentally disabled persons, a maximum/ total rebate 75% to owners of ratable properties if the total gross income of the applicant and his/her spouse, if any, does not exceed the amount of equal to twice the annual state pension as approved by government for a financial year.
- Dr NDZ Municipality has had its properties increasing in number due to some of the properties which used to be under Impendle Municipality fell under Dr NDZ Municipality, where demarcation (amalgamation of municipalities) was concerned.

3.5 Provisions

- **Provision for debt impairment**

The provision of debt impairment was determined based on an annual collection rate for 2016/2017. For 2017/18, financial year this item was allocated an amount of R390 000.00 and escalates to R 420 230.00 by 2018/19 and R 435 315.00 by 2019/20 financial years. While this expenditure is considered to be a non-cash item, it informed the cost associate with rendering the service of the municipality, as well as the municipality's realistically anticipated revenue.

- **Provision for depreciation and asset impairment**

Provision for depreciation and asset impairment has been informed by the municipality's Assets Management policy. Depreciation is widely considered a proxy for the rate assets consumption. Budget appropriation in this regard totals to R 20 344 225 for 2017/18 financial year escalating to R 21 503 846 by 2018/19 and R 22 708 061 by 2019/20 financial years.

4. ANNUAL BUDGET TABLES

Dr Nkosazana Dlamini Zuma Municipality has prepared final budget using the prescribed A1 Schedule as indicated in the MFMA budget circular No.86.

Version 61. and version 2.8 are attached.

Part 2– Supporting Documentation

2.1 Overview of the annual budget process

In terms of section 21 of the MFMA the Mayor is required to table in Municipal Council at least ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and

- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Community consultation started in October 2016 which informed the final Budget. The final Budget was discussed with HODs, presented to Management on a Strategic Planning, Budget Steering Committee and to the Budget and Treasury Committee before being tabled to the Council.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Ingwe has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

2.4 Overview of budget related-policies

The NDZ Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Borrowing policy
- Budget process policy
- Cash, banking and Investment Policy
- Fleet management policy
- Funding compliance policy
- Indigent policy
- Rates policy

- Petty cash policy
- Revenue enhancement strategy policy
- SCM policy for infrastructure procurement and delivery management
- Stores management policy
- Virement policy
- Rates-by law policy
- Tariff policy
- SCM policy

2.5 Overview of Budget Assumptions

Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn
- Expediting spending on capital projects that are funded by conditional grants.

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/2017 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Ingwe residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration
- Employee related costs MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions were taken into account.

2.6 Overview of budget funding

Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Ingwe derives most of its operational property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees and traffic fines etc.)

Annual budget is funded as follows:

• Rates	31 466 697.00
• Refuse	3 673 535.00
• Investment Income	6 063 540.00
• Accumulated Surplus	28 636 818.00
• Other income	5 219 853.00
• Equitable Share	101 241 000.00
• MIG	27 566 000.00
• DME	14 000 000.00
• FMG	3 800 000.00
• Demarcation transition	4 566 000.00
• Provincialization of Libraries	1 503 000.00
• Community Libraries	906 000.00
• Expanded public works	1 877 000.00
• Total	230 879 444.00

Based on the information provided above, it indicates that the municipality's operational and capital expenditure is funded.

The future fiscal sustainability of the municipality is not very positive. The following are contributing factors for this situation:

- The continued inability of consumers to settle outstanding accounts
- Government departments not paying their rates accounts
- Poor of revenue base on high rate of indigent people around Dr NDZ area
- The continued dependency on grant funding from the national government

The revenue strategy is a function of key components such as:

- Growth in the local and economic development;
- Revenue management and enhancement;
- To achieve at least 95 per cent annual collection rate for consumer revenue

2.7 Expenditure on allocations and grant programmes

It is estimated that a spending rate of at least 95 per cent is achieved on operating expenditure and 96 per cent on the capital Programme for the 2016/2017 MTREF of which performance has been factored into the cash flow budget.

2.8 Allocations or grants made by the municipality

The municipality does not have allocations or grants made by the municipality.

2.9 Councilors Allowances and Employee benefits

The following table is a breakdown of Councilors Remuneration and Employee salaries and benefits for the year 2017/2018.

Salaries and Allowances	
Employees Salaries	
Basic Salaries and Allowances	54 927 919.00
Councilors remuneration	
Basic Salaries and Allowances	10 559 800.00
Total Employees Related Costs	65 487 719.00

The budgeted allocation for employee related cost and councilors remuneration for the 2017/18 financial year totals to R 65.5 million. Based on Salaries and Wages Collective Agreement for the period 01 July 2015 to 30 June 2018 and the latest Treasury Circular No. 86 released on the 08 March 2017, salary increases was factored in final budget at a percentage increase of 7.4 per cent for the 2017/18 financial year and to 5.7% and 5.6% in outer years respectively.

In 2016/2017 financial year, Senior managers for Dr NDZ municipality appears to be 8 in terms of the budget document because the municipality had to consolidate two separate budget for

former Kwa Sani Municipality and Ingwe Municipality to make up a budget for Dr Nkosazana Dlamini Zuma Municipality of which both these municipalities had 4 senior managers each at that time. Now in 2017/2018 financial year the municipality has 5 senior managers.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the remuneration for councilors for Dr Nkosazana Dlamini Zuma municipality's budget.

2.10 IDP and Service Delivery and Budget Implementation Plan

Dr NDZ IDP is a principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

- Registration of community needs;
- Process Plan applicable to the fourth revision cycle including the following key IDP processes and deliverables:
 - ✓ Compilation of departmental business plans including key performance indicators and targets;
 - ✓ Financial planning and budgeting process;
 - ✓ Public participation process;
 - ✓ Compilation of the SDBIP, and
 - ✓ The review of the performance management and monitoring processes.

Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programmes.

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

a. In year reporting

Reporting to National Treasury was fully complied with, on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has Progressively improved and includes monthly published financial performance on the municipality's website.

b. Internship programmes

The Municipality is participating in the Municipal Financial Management Internship programmes and has employed interns of undergoing training in various divisions of the Financial Services Department.

c. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

d. Audit Committee

An Audit Committee has been established and is fully functional.

2.12 Municipal regulation on the Standard Chart of Accounts (mSCOA)

The Municipal Council adopted the regulation for the Standard Chart of Accounts and have an ongoing consultation with current Finance system provider (SAMRAS) to ensure that the municipality would be able to implement it. SAMRAS is one of the service providers that have pilot sites for mSCOA and based are one of the service providers on the National Treasury list of recommended system vendors, The municipality has MSCOA Budget prepared that was approved by council on the 06th Of June 2017 for the Municipality to be regarded as having an MSCOA compliant budget by 01 July 2017.

2.13 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2017/2018 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Local growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/2017 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70, 72, 74, and 75 and prior circulars has been taken into consideration in the planning and prioritization process.

2.14 Planning, budgeting and reporting cycle

The performance of Dr Nkosazana Dlamini Zuma Municipality relates direct to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The NDZ therefore has adopted one integrated performance management system which encompasses.

- **Performance indicators and benchmarks**

a) Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework will be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

b) Creditors Management

Dr NDZ has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation.

This has had a favorable impact on supplier's perceptions of risk of doing business with Dr NDZ Municipality, which is expected to benefit the local community in the form of more competitive pricing of tenders, as suppliers compete for the Dr NDZ business

c) Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulties on paying for the basic services and are registered as indigent households in terms of the Indigent Policy of the Dr Nkosazana Dlamini Zuma Municipality. Only registered indigents qualify for the free basic services.

2.15 Municipal manager quality certificate



Quality Certificate

I, N C Vezi Municipal Manager of Dr Nkosazana Dlamini Zuma Local Municipality hereby certify that the Annual budget for the year 2017/2018 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act.

Print Name: N C Vezi

Municipal Manager of Dr Nkosazana Dlamini Zuma Municipality, KZN436

Signature:  _____

Date: 26 / 05 / 17



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06TH JUNE 2017

**COUNCIL RESOLUTION NO. "2017/06/07.02"
ADOPTION OF THE DR. NKOSAZANA DLAMINI-ZUMA FINAL BUDGET
AND BUDGET RELATED POLICIES 2017/2018 FINANCIAL YEAR**

This serves to confirm that at a Special Council Meeting held on the 06th June 2017 the following resolutions were adopted.

RESOLVED:

1. That Council notes and adopts the 2017/2018 Final Budget, Budget-Related Policies, Tariffs of charges and other supporting documents in terms of chapter 4 of the MFMA.
2. That Council adopts the following final Budget Related Policies:
 - Tariffs Policy
 - Rates Policy
 - Rates By-Laws
 - Virement Policy
 - Stores Management Policy
 - SCM Policy for Infrastructure, Procurement & Delivery Management
 - Revenue Enhancement Strategy
 - Petty Cash Policy
 - Indigent Policy
 - Funding Compliance
 - Fleet Management Policy
 - Cash, Banking & Investment Management Policy
 - Budget Policy
 - Borrowing Policy
 - Credit Control and Debt Collection
3. That Council notes treasuries comments on 2016/2017 Draft Budget


MR. N.C. VEZI
MUNICIPAL MANAGER

12/06/17
DATE

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